

1st Quarterly Report of the KWS Group
Fiscal year 2012/2013

July 1 to September 30, 2012

Seeding the future
since 1856



1st Quarterly Report 2012/2013

Dear shareholders and friends of KWS,

In this quarterly report, we would like to inform you of the KWS Group's performance in the first three months of fiscal 2012/2013. We generate net sales from July to September mainly from our hybrid rye varieties, winter wheat, winter barley and winter rapeseed. Initial revenue also comes from corn and sugarbeet in our counter-seasonal cultivation regions of Argentina, Chile and (for the first time) Brazil. However, the times at which these crops are sown may change due to weather conditions, so that our quarterly figures are comparable with those of the same period of the previous year only to a limited degree.

Our cereals business performed well in the period under review. In particular, our high-yielding hybrid rye varieties contributed to this performance; in addition, our sales of wheat, barley and rapeseed in Northern, Central and Eastern Europe increased, reflecting strong demand in the market for cereals for consumption.

Net sales for all segments rose in the first quarter of 2012/2013 by around 22% to €113.1 (93.1)* million. A third of this increase is attributable to our new operations in Brazil.

The pro rata costs mean that KWS' operating income in the first two quarters is generally negative. Despite higher R&D and selling expenses, the KWS Group's income in the period under review stayed at last year's level, at €-22.2 (-22.6) million.

Net financial income/expenses contain only low interest income from the positive net cash balance at June 30, 2012, as a result of the continuing low level of interest. Interest expense from financing our business expansion in South America impacted this figure at September 30, 2012. The figure for income taxes was obtained by applying the effective tax rate per company planned for the fiscal year as a whole to the pre-tax profits for the quarter.

* The figures in parentheses are those for the previous year

Income statement

€ millions	1 st quarter	
	2012/2013	Previous year
Net sales	113.1	93.1
Operating income	-22.2	-22.6
Net financial income/expenses	-1.5	-1.0
Result of ordinary activities	-23.7	-23.6
Income taxes	-7.3	-7.5
Net income for the period	-16.4	-16.1
of which shareholders of KWS SAAT AG	-19.5	-18.3
of which minority interest	3.1	2.2
Earnings per share (€)	-2.96	-2.77

Statement of comprehensive income

€ millions	1 st quarter	
	2012/2013	Previous year
Net income for the period	-16.4	-16.1
Currency translation for foreign subsidiaries	-4.9	5.4
Comprehensive income for the period	-21.3	-10.7
of which shareholders of KWS SAAT AG	-24.5	-12.9
of which minority interest	3.2	2.2

Capital expenditure

In the first quarter, KWS invested €17.2 (17.4) million in property, plant and equipment. As in previous years, it is therefore showing capital expenditure well above depreciation at €8.7 (6.4) million.

The main individual investments relate to expenditure to modernize sugarbeet seed production in North America and to expand corn production capacities in France.

Out of total capital expenditure of €17.7 (17.8) million within the KWS Group, 41.3% was in the Corn Segment, 38.4% in the Sugarbeet Segment, 12.4% in the Cereals Segment and 7.9% in the Corporate unit.

The individual product segments

€ millions	1 st quarter	
	2012/2013	Previous year
Net sales	113.1	93.1
Sugarbeet	9.0	10.6
Corn	32.7	25.4
Cereals	69.5	55.5
Corporate	1.9	1.6
Operating income	-22.2	-22.6
Sugarbeet	-14.3	-7.6
Corn	-24.4	-24.0
Cereals	27.6	18.9
Corporate	-11.1	-9.9
Capital expenditure	17.7	17.8
Sugarbeet	6.8	9.1
Corn	7.3	2.7
Cereals	2.2	1.0
Corporate	1.4	5.0

The **Cereals Segment** usually generates more than 60% of its net sales in the first quarter. High demand in the market for cereals for consumption led to an expansion in cultivation areas, above all for rye, and a sharp increase in demand for our high-yielding hybrid varieties. These varieties were sold out completely in Poland and Germany. Our winter wheat and winter barley varieties also performed well in the market, especially in Germany, the UK and Eastern Europe. Overall, net sales at the Cereals Segment rose year on year by 25% to €69.5 (55.5) million. Thanks to a further increase in high-margin hybrid rye business, the segment's income improved to €27.6 (18.9) million, a rise of 46%. The segment's income will fall by the end of the fiscal year due to the costs that will be charged to it.

The **Corn Segment** now includes our new corn and soybean seed business operations in Brazil, which were launched on July 1, 2012. It should be noted that there are two sowing periods in Brazil. Our revenue there is split evenly over the first and second halves of the fiscal year. Winter rapeseed business declined year on year, primarily due to weather conditions; in Southeastern Europe in particular, hardly any winter rapeseed was able to be sown due to a long period of drought. Overall, net sales at the Corn Segment rose year on year by 29% to €32.7 (25.4) million. The segment's income was slightly lower year on year at €-24.4 (-24.0) million.

As a result of shifts between quarters, net sales at the **Sugarbeet Segment** were down approximately 15% year on year at €9.0 (10.6) million. We generate hardly any net sales in seed potato business in the first quarter of each year. Due to the fact that special factors had a positive impact in the same period of the previous year, the segment's income was significantly lower and was further reduced by the costs of establishing our distribution structures. At €-14.3 (-7.6) million, it was again at the level of the first quarter of fiscal 2010/2011.

Revenue from our farms, services for third parties and net sales from strategic projects are consolidated in the **Corporate** unit. This amounted to €1.9 (1.6) million in the period under review, just over the level of the previous year. The segment's income was impacted by the planned increase in expenditure on long-term research projects and was €-11.1 (-9.9) million, a fall of 12% over the previous year.

Basis of accounting and reporting

The KWS Group is a consolidated group as defined in the International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board (IASB), London, taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). All disclosures on KWS are therefore disclosures on the Group within the meaning of these regulations. The quarterly financial statements of the KWS Group were prepared in accordance with IAS 34, and exactly the same accounting methods applied in the preparation of the consolidated financial statements as of June 30, 2012, were used. The Notes appended to the annual financial statements as of June 30, 2012, therefore apply accordingly. Income taxes were calculated on the basis of the individual country-specific income tax rates, taking account of the planning for the fiscal year as a whole.

Companies consolidated in the KWS Group

The quarterly consolidated financial statements of the KWS Group include the single-entity financial statements of KWS SAAT AG and its subsidiaries in Germany and other countries in which it directly or indirectly controls more than 50% of the voting rights. In addition, joint ventures are proportionately consolidated according to the percentage of equity held in those companies. Subsidiaries and joint ventures that are considered immaterial for the presentation and evaluation of the financial position and performance of the Group are not included.

Our Brazilian breeding companies Delta Pesquisa e Sementes Ltda. and Semilia Genetica e Melhoramento Ltda. merged to create KWS MELHORAMENTO E SEMENTES LTDA. effective July 1, 2012. The number of companies consolidated in the KWS Group therefore fell by one fully consolidated company, with the result that a total of 55 companies will be fully consolidated and seven proportionately consolidated in fiscal 2012/2013.

Balance Sheet of the KWS Group

€ millions	Sept. 30, 2012	June 30, 2012	Sept. 30, 2011
ASSETS			
Intangible assets	109.3	111.7	59.6
Property, plant and equipment	270.0	261.5	238.9
Financial assets	4.6	5.0	3.9
Noncurrent tax assets	6.2	6.1	5.1
Deferred tax assets	42.3	26.0	44.3
Noncurrent assets	432.4	410.3	351.8
Inventories and biological assets	187.2	139.7	165.1
Trade receivables	258.9	309.4	212.5
Marketable securities	23.0	40.4	17.0
Cash and cash equivalents	58.4	142.6	61.6
Current tax assets	21.8	25.9	16.2
Other current assets	37.7	24.0	31.1
Current assets	587.0	682.0	503.5
Total assets	1,019.4	1,092.3	855.3
EQUITY AND LIABILITIES			
Subscribed capital	19.8	19.8	19.8
Capital reserve	5.5	5.5	5.5
Retained earnings	528.8	553.3	471.0
Minority interests	33.4	24.5	23.2
Equity	587.5	603.1	519.5
Long-term provisions	92.3	92.3	62.7
Long-term borrowings	20.8	23.0	18.6
Trade payables	1.7	1.9	2.2
Deferred tax liabilities	35.9	36.0	24.7
Other long-term liabilities	8.1	8.2	8.8
Noncurrent liabilities	158.8	161.4	117.0
Short-term provisions	84.9	134.0	64.5
Short-term borrowings	47.1	52.1	25.6
Trade payables	74.6	74.1	70.8
Current tax payables	27.7	24.1	26.9
Other liabilities	38.8	43.5	31.0
Current liabilities	273.1	327.8	218.8
Liabilities	431.9	489.2	335.8
Total equity and liabilities	1,019.4	1,092.3	855.3

The increase in inventories is due to the absorption of the new seed production of 2012. The potential risks of realization were reflected by additional adjustments.

More than half of our receivables at June 30, 2012, have since been paid. Due to higher net sales in the first quarter, trade receivables at September 30 were €46.4 million higher year on year. The net financial balance as of September 30, 2012, was €13.5 (34.4) million, after €107.9 (113.3) million on June 30, 2012.

The short-term provisions include royalties that are not yet due on the higher net sales of the previous year. The long-term provisions also include our option to purchase further shares in the Brazilian production and distribution company.

Despite the seasonally related negative income, the equity ratio after the first three months improved to 57.6% compared with 55.2% at June 30, 2012.

Cash flow statement

€ millions	1 st quarter	
	2012/2013	Previous year
Net income for the period	-16.4	-16.1
Cash earnings	-31.0	-32.2
Funds tied up in net current assets	-51.2	-29.0
Net cash from operating activities	-82.2	-61.2
Net cash from investing activities	-40.3	-18.5
Net cash from financing activities	21.5	10.6
Change in cash and cash equivalents	-101.0	-69.1
Cash and cash equivalents at beginning of period	183.0	146.9
Changes in cash and cash equivalents due to exchanging rate, consolidated group and measurement changes	-0.6	0.8
Cash and cash equivalents at end of period	81.4	78.6

Net cash from operating activities fell by €21.0 million year on year, essentially due to the increase in inventories. The net cash from investing activities was €-40.3 (-18.5) million, since the purchase price for our Brazilian production and distribution company was also due in the first quarter. An increase in equity at a subsidiary and the raising of loans resulted in net cash from financing activities of €21.5 million, following €10.6 million in the previous year.

Statements of Changes in Equity of the KWS Group

€ millions	Group interests	Minority interests	Group equity
Balance as at June 30, 2011	509.3	21.0	530.3
Dividends paid	0.0	0.0	0.0
Changes in consolidation scope	0.0	0.0	0.0
Other changes	-0.1	0.0	-0.1
Consolidated net income for the period	-18.3	2.2	-16.1
Other gains (losses)	5.4	0.0	5.4
Total consolidated gains (losses)	-12.9	2.2	-10.7
Balance as at September 30, 2011	496.3	23.2	519.5
Balance as at June 30, 2012	578.6	24.5	603.1
Dividends paid	0.0	0.0	0.0
Changes in consolidation scope	0.0	0.0	0.0
Other changes	0.0	5.7	5.7
Consolidated net income for the period	-19.5	3.1	-16.4
Other gains (losses)	-5.0	0.1	-4.9
Total consolidated gains (losses)	-24.5	3.2	-21.3
Balance as at September 30, 2012	554.1	33.4	587.5

Equity in the first quarter is usually impacted by the seasonally related negative profit for the quarter. The KWS Group's equity was also reduced by a total of €4.9 million resulting from currency translation for foreign subsidiaries on the balance sheet date and was not recognized in profit.

No dividends were paid out in the period under review.

Employees*

	1 st quarter	
	2012/2013	Previous year
Germany	1,703	1,599
Europe (excluding Germany)	1,245	1,141
Americas	1,340	976
Other countries	135	82
Total	4,423	3,798

* at quarter end

At September 30, 2012, we had 4,423 employees worldwide. We hired new employees in all regions, with the largest increase in South America due to establishment of our Brazilian business. By the end of the fiscal year, the KWS Group will employ around 15% more people than in the previous year (3,851).

Outlook

In the **Cereals Segment**, our positive performance in the first quarter indicates that we will again post a year-on-year improvement in sales and income in fiscal 2012/2013. Accordingly, we expect net sales to grow by 15% to €107 (93.3) million and income by just over 10%.

An initial indicator for this year's **corn business** is our good performance in South America, where above all business with our new company RIBER-KWS in Brazil got off to a very positive start. Overall we expect the segment to increase its net sales by 15% year on year to around €660 (571.5) million by the end of the fiscal year. We will significantly increase expenditures for expanding distribution and for the development of varieties this fiscal year. As far as can be seen at present, the segment's income will be approximately 5% below that of the previous year.

There were again excellent **sugarbeet** harvests in Europe in calendar year 2012. This will tend to result in lower cultivation areas in the EU 27. Accordingly, we expect net sales for the segment to be slightly below the previous year at €304 (313.4) million. We have also budgeted higher expenses in distribution and product development for sugarbeet in fiscal 2012/2013. In addition, we have initiated extensive measures to expand our seed potato business. We anticipate that the segment's fiscal year income will be approximately 20% below the previous year, but the EBIT margin of around 21% will still make a good contribution to the KWS Group's earnings.

Finally, we expect net sales at the **KWS Group** to increase year on year by around 10%. Given that administration and research costs, which are grouped in the **Corporate** unit, will rise at the same time, we currently assume that we can achieve an EBIT margin of just over 11%.

Our Annual Shareholders' Meeting will be held on December 13, 2012, at 11:00 a.m., as usual at the company's headquarters in Einbeck.

Einbeck, November 29, 2012

KWS SAAT AG

The Executive Board



Philip von dem Bussche



Christoph Amberger



Léon Broers



Hagen Duenbostel

Financial calendar

December 13, 2012 Annual Shareholders' Meeting in Einbeck

February 26, 2013 Report on the 2nd quarter 2012/2013

May 28, 2013 Report on the 3rd quarter 2012/2013

October 23, 2013 Publication of the 2012/2013 financial statements,
Annual press conference and
Analyst conference in Frankfurt

November 28, 2013 Report on the 1st quarter 2013/2014

December 19, 2013 Annual Shareholders' Meeting in Einbeck

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This translation of the original German version of the Quarterly Report has been prepared for the convenience of our English-speaking shareholders. The German version is legally binding.